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ANNUAL REPORT

OF

The Belt Railway Company

of CHICAGO

FOR THE

YEAR ENDED DECEMBER 31, 1975

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THE BELT RAILWAY COMPANY OF CHICAGO

DIRECTORS

J. C. DAVIS, The Atchison, Topeka and Santa Fe Railway Co. . . . . Chicago, Ill.
D. H. KING, Burlington Northern Inc. . . . . Chicago, Ill.
J. T. COLLINSON, The Chesapeake and Ohio Railway Co. . . . . Baltimore, Md.
H. S. VIERLING, Chicago & Eastern Illinois Railroad Co. . . . . Chicago, Ill.
M. L. CASSELL, Chicago, Rock Island and Pacific Railroad Co. . . . . Chicago, Ill.
G. W. MAXWELL, Erie Lackawanna Railway Co. . . . . Cleveland, Ohio
J. H. BURDAKIN, Grand Trunk Western Railroad Co. . . . . Detroit, Mich.
A. S. BOYD, Illinois Central Gulf Railroad Co. . . . . Chicago, Ill.
R. E. BISHA, Louisville and Nashville Railroad Co. . . . . Louisville, Ky.
S. T. BROWN, Louisville and Nashville Railroad Co. . . . . Roanoke, Va.
R. F. DUNLAP, Norfolk and Western Railway Co. . . . . Roanoke, Va.
K. E. SMITH, Penn Central Transportation Co. . . . . Chicago, Ill.
T. R. KLINGEL, Soo Line Railroad Co. . . . . Minneapolis, Minn.

EXECUTIVE COMMITTEE

R. E. BISHA, Chairman

J. C. DAVIS - R. F. DUNLAP - D. H. KING - H. S. VIERLING

OFFICERS

President and General Manager . . . . . R. E. DOWDY
Vice President and Assistant General Manager . . . . . D.R. TURNER
Vice President and Controller . . . . . R. G. RUBINO
Secretary and Treasurer . . . . . G. D. MORIARTY
General Counsel . . . . . R. F. KOPROSKE
Assistant Secretary and Assistant Treasurer . . . . . R. A. ORLANDO

GENERAL OFFICES

6900 SOUTH CENTRAL AVENUE, CHICAGO, ILLINOIS 60638

ANNUAL MEETING - SECOND TUESDAY IN MAY

Chicago, Illinois
May 11, 1976

TO THE STOCKHOLDERS OF
THE BELT RAILWAY COMPANY OF CHICAGO

The Annual Report of the company for the year 1975 is hereby submitted.

The inflationary trends and weakness in the national economy which began in the latter part of 1974 continued throughout 1975. Our operating revenues decreased 8% as compared to the preceding year. Total cars handled by Belt power decreased 14%. More significant was the decrease in cars handled by our Owner Lines in direct moves over Belt tracks, down by 24%.

During the past year, C&EI, Erie, L&N and more recently Soo Line, have made use of the Belt Clearing Yard as an originating and terminating point for road train operations. This connection eliminates multiple handling of cars and provides the fastest interchange of connecting traffic in the Chicago gateway. Some other Owner Lines are currently giving consideration to this fast connecting service.

Of the two additional buildings in the Bedford Industrial Park Venture started in 1975, one was completed and one is nearing completion. Building No. 9 contains 63,168 square feet and building No. 10 contains 242,577 square feet. Both buildings are available for occupancy.

The Railroad Revitalization Act of 1976 was signed by President Ford on February 5, 1976; its impact on The Belt is unknown at this time.

During the year, J. E. Hamer resigned from the Board of Directors and the Executive Committee. His wise counsel and dedication is gratefully acknowledged.

The Board recognizes the cooperation and contributions of the employees during the year.

By order of the Board of Directors.

R. E. DOWDY
President and General Manager

REVIEW OF OPERATIONS

REVENUES:

Total operating revenues for the year were $17,183,835, a decrease of $1,518,557 or 8.12%. Intermediate and local switch cars handled in Belt Separate Operation comprise the principal source of revenues. Intermediate switching revenue decreased $386,683 or 5.11%, and local switching revenue decreased $67,056 or .71%.

Demurrage charges decreased $1,025,743 or 62.09%. This was due to the decrease in cars handled subject to demurrage and storage charges, coupled with a decrease in detention time of cars being held by the industries.

During 1975, car movements on the Belt Railway were seriously affected by the major business decline and corresponding decrease in rail traffic handled throughout the nation. Business improved somewhat during the last quarter of the year, but 1976 results will largely depend on greater utilization of Belt's facilities by its shareholder railroad corporations.

Cars handled totaled 1,515,958 in 1975 compared to 1,863,068 in 1974, a decrease of 347,110 or 18.63%. Intermediate cars handled decreased 81,451 or 25.22%; local loaded cars decreased 12,367 or 8.77%. Cars handled by Owner Lines in direct movements over Belt trackage decreased 213,359 or 23.77%; and cars interchanged directly between Owner roads using Belt Railway terminal facilities decreased 30,084 or 8.18%.

Twenty-one industries were located during the year and eighteen were vacated. This compared with fifteen located and nineteen vacated in 1974.

JOINT FACILITY RENT INCOME:

The increase of $1,744,131 was due to the loss in Belt's related terminal switching operations of $518,860 for 1975 as against a profit of $1,202,320 in 1974, together with increases covering railroad retirement and general property taxes billable to the proprietary roads.

OPERATING EXPENSES:

Total expenses in 1975 were $20,642,519, an increase of $1,137,449 or 5.83% compared to 1974. Payroll costs increased by $966,333 due to higher wage rates granted in 1975 under industry wide labor agreements. Costs of fuel and other materials were higher in 1975 following the pronounced spiraling of prices in 1974. The operating ratio of Belt Separate Operation increased to 84.00 compared to 77.43 in 1974.

Maintenance of Way expenses totaled $3,751,482, an increase of $736,012. This was principally due to an increase of $490,113 for programmed track improvements, an increase in signal and interlocker expenses of $124,102, and higher wage costs of $167,343; offset by controlled maintenance requirements throughout the system. The Maintenance of Way portion of the operating ratio was 12.66 compared to 9.86 in 1974.

Maintenance of Equipment expenses totaled $2,924,407, an increase of $262,459. This was due to higher wage costs and an increase in repairs to diesel locomotives and freight train cars; offset by a decrease in injuries to persons. The Maintenance of Equipment portion of the operating ratio was 13.80 compared to 11.75 in 1974.

Transportation expenses totaled $12,251,862, a decrease of $3,759. Higher wage costs of $666,231 was offset by overall control of operational requirements for handling the reduced volume of cars received during the year. Other principal increase items were: yard supplies, $121,891 and servicing yard locomotives, $50,135 which were offset by decreases in: cost of locomotive fuel consumed, $35,800; clearing wrecks, $93,093 and injuries to persons, $86,110. The transportation portion of operating ratio was 50.78 compared to 49.82 in 1974.

General expenses totaled $1,710,289, an increase of $152,142. This portion of the operating ratio was 6.74 compared to 5.93 in 1974.

Total operating expenses include amounts chargeable to others as their proportion of costs incurred by the Belt Railway Company in maintaining and operating jointly used tracks and facilities. Net operating expenses charged to Belt Railway Separate Operation are reflected on pages 6 and 16 through 19.

OTHER INCOME AND EXPENSES:

Interest income decreased $86,173 and Income from sinking and other reserve funds decreased $53,210. This was due to the reduction in funds available for short-term investments and the overall decline in interest rates paid on investments during the year.

Miscellaneous income decreased $1,120,937. This was due to the additional number of company bonds reacquired in 1974 at a discount of $755,959, and a non-recurring profit of $366,321 in 1974 from property sales.

Railway tax accruals decreased $7,324. Railroad retirement taxes increased $82,164, but were offset by a decrease in accruals for Federal income tax, State income tax and general property taxes.

Hire of freight cars decreased $711,639, basically due to the decrease in number of cars handled during the year.

RAIL TO WATER ACTIVITY:

Unit-train coal rail to water transfer operations started on March 31st and ended December 15th. In 1974, the operations began on March 23rd and ended December 6th. Coal tonnage handled through the facility totaled 3,933,668 tons in 1975 compared to 4,030,966 tons in 1974, a decrease of 97,298 tons. Other commodities handled through this dock facility - coke, clay, feed and iron ore pellets - totaled 390,265 tons in 1975 compared to 293,725 tons in 1974, an increase of 96,540 tons. Total tonnage for the year decreased 758 tons compared to 1974.

PROPERTY IMPROVEMENTS:

Rail replacements in 1975 consisted of 1,210 tons of new and 1,438 tons of secondhand rail. There were 12,544 new cross ties and 165,887 feet B.M. of switch ties installed. The in-track welding program started in 1974 was continued in 1975 with ten miles of main track and three miles of yard track being welded by this process. Other changes in road and equipment are reflected on pages 14 and 15 of this report.

STATEMENT OF INCOME

Year ended December 31	1975	1974	Increase or (Decrease)
RAILWAY OPERATING REVENUES:			
Intermediate switching	$ 7,177,740	$ 7,564,423	$ (386,683)
Local switching	9,317,634	9,384,690	(67,056)
Demurrage	626,166	1,651,909	(1,025,743)
Rents of buildings and other property	750	300	450
Miscellaneous	61,545	101,070	(39,525)
Total railway operating revenues	17,183,835	18,702,392	(1,518,557)
RAILWAY OPERATING EXPENSES:			
Maintenance of way and structures	2,174,607	1,844,410	330,197
Maintenance of equipment	2,370,738	2,196,579	174,159
Traffic	4,324	13,826	(9,502)
Transportation-Rail line	8,726,235	9,317,387	(591,152)
General (Note 6)	1,158,205	1,109,278	48,927
Total railway operating expenses	14,434,109	14,481,480	(47,371)
Net revenue from railway operations	2,749,726	4,220,912	(1,471,186)
RAILWAY TAX ACCRUALS:			
General property	652,155	681,165	(29,010)
Federal Income (Note 3)	3,357	36,565	(33,208)
State Income	(5,109)	19,217	(24,326)
Retirement	1,995,435	1,913,271	82,164
Unemployment	169,162	173,736	(4,574)
Other	14,365	12,735	1,630
Total railway tax accruals	2,829,365	2,836,689	(7,324)
Railway operating income (loss)	(79,639)	1,384,223	(1,463,862)
RENT INCOME:			
Rent from locomotives	16,076	68,335	(52,259)
Rent from work equipment	34	409	(375)
Joint facility rent income (Note 1)	2,091,156	347,025	1,744,131
Total rent income	2,107,266	415,769	1,691,497
RENTS PAYABLE:			
Hire of freight cars	647,388	1,359,027	(711,639)
Rent for locomotives (Note 5)	188,640	188,640	-
Rent for work equipment	1,400	-	1,400
Joint facility rents	117,372	115,158	2,214
Total rents payable	954,800	1,662,825	(708,025)
Net rents	1,152,466	(1,247,056)	2,399,522
Net railway operating income	$ 1,072,827	$ 137,167	$ 935,660

See notes to financial statements.

STATEMENT OF INCOME - concluded

Year ended December 31	1975	1974	Increase or (Decrease)
OTHER INCOME:			
Income from lease of road and equipment	$ 69,767	$ 33,525	$ 36,242
Miscellaneous rent income	296,152	279,140	17,012
Income from non-operating property	51,589	49,830	1,759
Separately operated properties-profit	-	71,466	(71,466)
Interest income	88,121	174,294	(86,173)
Income from sinking and other reserve funds	108,829	162,039	(53,210)
Miscellaneous income (property sales and company bonds reacquired)	119,273	1,240,210	(1,120,937)
Total other income	733,731	2,010,504	(1,276,773)
Total income	1,806,558	2,147,671	(341,113)
MISCELLANEOUS DEDUCTIONS FROM INCOME:			
Miscellaneous rents	146	1,168	(1,022)
Miscellaneous tax accruals	33,430	64,170	(30,740)
Miscellaneous income charges	8,268	8,969	(701)
Total miscellaneous deductions	41,844	74,307	(32,463)
Income available for fixed charges	1,764,714	2,073,364	(308,650)
FIXED CHARGES:			
Rent for leased roads and equipment	2,259	2,303	(44)
Interest on funded debt	1,708,196	1,652,282	55,914
Amortization of discount on funded debt	4,971	4,971	-
Total fixed charges	1,715,426	1,659,556	55,870
Net income (Note 1)	$ 49,288	$ 413,808	$ (364,520)
Net income per share	$ 1.58	$ 13.26	$ (11.68)

STATEMENT OF RETAINED INCOME

	1975	1974
Balance at beginning of year	$2,589,703	$ 2,175,895
Net income (Note 1)	49,288	413,808
Balance at end of year	$2,638,991	$ 2,589,703

See notes to financial statements.

BALANCE SHEET

Assets	December 31, 1975	December 31, 1974	Increase or (Decrease)
CURRENT ASSETS:			
Cash	$ 152,451	$ 6,397	$ 146,054
Temporary cash investments	1,399,300	2,261,868	(862,568)
Special deposits	3,605	4,067	(462)
Traffic and car-service balances	670,942	596,843	74,099
Net balance receivable from agents and conductors	164,816	353,526	(188,710)
Miscellaneous accounts receivable	2,246,524	2,112.252	134,272
Interest and dividends receivable	91,489	21,898	69,591
Accrued accounts receivable	606,370	984,698	(378,328)
Working fund advances	2,040	2,040	-
Prepayments	294,523	201,461	93,062
Material and supplies (Note 1)	1,199,696	910,228	289,468
Total current assets	6,831,756	7,455,278	(623,522)
SPECIAL FUNDS:			
Sinking funds	6,106	4,586	1,520
Capital and other reserve funds	1,524,787	1,595,666	(70,879)
Insurance and other funds	16,000	15,000	1,000
Total special funds	1,546,893	1,615,252	(68,359)
INVESTMENTS:			
Other investments (Note 4)	1	1	-
PROPERTIES (Note 1):			
Road	30,685,895	30,226,589	459,306
Equipment	6,238,273	5,644,474	593,799
Improvements on leased property	14,707	14,707	-
Total transportation property	36,938,875	35,885,770	1,053,105
Accrued depreciation - Road and equipment	(8,625,948)	(8,178,219)	(447,729)
Total transportation property - Net	28,312,927	27,707,551	605,376
Miscellaneous physical property	6,119,339	6,145,325	(25,986)
Total properties - Net	34,432,266	33,852,876	579,390
OTHER ASSETS AND DEFERRED CHARGES:			
Other assets (Note 2)	966,702	892,935	73,767
Unamortized discount on long-term debt	58,399	63,371	(4,972)
Other deferred charges	207,147	151,982	55,165
Total other assets and deferred charges	1,232,248	1,108,288	123,960
TOTAL ASSETS	$ 44,043,164	$ 44,031,695	$ 11,469

See notes to financial statements.

BALANCE SHEET

Liabilities and Shareholders' Equity	December 31, 1975	December 31, 1974	Increase or (Decrease)
CURRENT LIABILITIES:			
Audited accounts and wages payable	$ 926,080	$ 961,925	$ (35,845)
Miscellaneous accounts payable	193,641	71,655	121,986
Interest matured unpaid	3,605	4,067	(462)
Unmatured interest accrued	427,913	441,935	(14,022)
Accrued accounts payable	73,100	243,369	(170,269)
Federal income taxes accrued (Note 9)	-	8,268	(8,268)
Other taxes accrued	1,035,940	1,004,639	31,301
Other current liabilities	38,667	98,020	(59,353)
Total current liabilities (exclusive of long-term debt due within one year)	2,698,946	2,833,878	(134,932)
LONG-TERM DEBT DUE WITHIN ONE YEAR:			
First mortgage bonds-Series A	688,000	201,000	487,000
Equipment obligations	57,500	82,500	(25,000)
Total debt due within one year	745,500	283,500	462,000
LONG-TERM DEBT (Note 7):			
First Mortgage 4-5/8% Sinking Fund Bonds, Series A, due August 15, 1987	25,320,000	26,065,000	(745,000)
Equipment obligations	40,625	106,250	(65,625)
Amounts payable to affiliated companies	8,795,864	8,050,864	745,000
Total long-term debt	34,156,489	34,222,114	(65,625)
RESERVES:			
Casualty and other reserves	1,188	30,523	(29,335)
OTHER LIABILITIES AND DEFERRED CREDITS:			
Other liabilities	98,814	98,814	-
Other deferred credits (Note 2)	353,236	623,163	(269,927)
Total other liabilites and deferred credits.	452,050	721,977	(269,927)
SHAREHOLDERS' EQUITY:			
Capital stock, common, $100 par value, authorized 50,000 shares, issued and outstanding 31,200 shares (Note 8)	3,120,000	3,120,000	-
Paid -in surplus	230,000	230,000	-
Retained income	2,638,991	2,589,703	49,288
Total shareholders' equity	5,988,991	5,939,703	49,288
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$44,043,164	$44,031,695	$ 11,469

See notes to financial statements

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31	1975	1974
Source of Funds		
Net income (Note 1)	$ 49,288	$ 413,808
Depreciation	448,250	430,668
Transportation property retired (non-depreciable)	96,000	213,206
Casualty and other reserves (decrease)	(29,335)	(45,991)
Funds provided from operations	564,203	1,011,691
Salvage from property retired (depreciable)	11,904	84,219
Miscellaneous physical property sold	25,986	278,766
Decrease in capital and other special funds	68,359	724,667
Advances from affiliated companies	745,000	1,190,089
TOTAL FUNDS PROVIDED	$ 1,415,452	$ 3,289,432
Application of Funds		
Additions to transportation properties	$ 1,161,530	$ 338,147
First Mortgage Bonds acquired	745,000	2,073,000
Equipment obligations retired	65,625	74,375
Increase in other assets and deferred charges	123,960	110,787
Decrease in other liabilities and deferred credits	269,927	57,789
Increase (decrease) in working capital	(950,590)	635,334
TOTAL FUNDS APPLIED	$ 1,415,452	$ 3,289,432
Increase (Decrease) in Working Capital (Including Long-Term Debt Due Within One Year):		
Current Assets:		
Cash and temporary cash investments	$ (716,976)	$ (194,334)
Receivables and accruals	(289,076)	1,177,509
Prepayments	93,062	65,561
Material and supplies	289,468	160,338
TOTAL	(623,522)	1,209,074
Current Liabilities:		
Payables and accruals	(98,612)	251,908
Federal income taxes accrued	(8,268)	(5,332)
Other taxes accrued	31,301	56,742
Long-term debt due within one year	462,000	201,000
Other	(59,353)	69,422
TOTAL	327,068	573,740
Increase (Decrease) in Working Capital	$ (950,590)	$ 635,334

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Statement Presentation

Accounts of the Company are maintained in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission which substantially conform with generally accepted accounting principles.

The principal business of the Company is providing railroad terminal and switching facilities and services to domestic railroad corporations and to the shippers of such railroad corporations. A substantial part of the services rendered by the Company is in behalf of its shareholder railroad corporations which, under an operating agreement with the Company ("Operating Agreement"), have operating rights for the movement of their trains by the Company.

The Company's terminal operations are generally classified either as owner lines operations or Company railway operations. The total expenses allocated to owner lines operations are billed to the shareholder railroad corporations on an actual cost basis. A summary of such operations for 1975 and 1974 follows:

	1975	1974
Railway operating expenses	$6,129,123	$4,946,707
Railway tax accruals	858,063	757,550
Interest and other fixed charges	940,874	887,722
Other	(165,053)	(115,594)
Total billed to shareholder railroad corporation	$7,763,007	$6,476,385

The terminal railroad facilities and related services for Company railway operations resulted in net losses of $518,860 in 1975 and net revenues of $1,202,320 in 1974; as prescribed by Section 281 of the Internal Revenue Code and the Operating Agreement, these results are incorporated in the Company's statement of account with its shareholder railroad corporations. Nonrelated terminal income and expenses of the Company are not included in the statement of account with its shareholder railroad corporations.

Properties, Depreciation, Maintenance and Repairs

Properties are stated substantially at cost. Replacement accounting is used principally for track accounts. Under this method, betterments and additions are capitalized and are not depreciated. Replacements in kind and retirements are charged to expense.

Additions, renewals and betterments of all other classes of property are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment or depreciable road property is sold or retired, the cost less salvage value is charged to accrued depreciation.

Depreciation is generally provided on the straight-line method. The average annual depreciation rates are approximately 1.60% for depreciable road properties and 4.28% for rolling stock.

Investment Tax Credit

The Company uses the "flow-through" method of accounting for investment tax credits.

Material and Supplies

Material and supplies, consisting primarily of fuel oil and replacement or repair parts for equipment and road property, are valued at average cost.

2. RECEIVABLES

Included in other assets at December 31, 1975 and 1974, are receivables of approximately $676,000 and $555,000, respectively, due from three of the shareholder railroad corporations, Penn Central Transportation Company, Erie Lackawanna Railway Company, and the Chicago, Rock Island and Pacific Railroad Company. Such receivables arose from transactions occurring prior to the respective dates that these companies entered into reorganization proceedings under Section 77 of the Federal Bankruptcy Act. The Company has filed claims for payment with the respective reorganization courts. The ultimate collectibility of these receivables is not presently determinable.

Also included in other assets as of December 31, 1975 and 1974 are receivables of approximately $275,000 and $385,000, respectively, representing unsettled amounts billed to various carriers for cars received without proper forwarding instructions. Corresponding amounts have been credited to other deferred credits.

3. FEDERAL INCOME TAXES

The effective Federal income tax rates for 1975 and 1974 were 6% and 8%, respectively. The differences between the effective rates and the statutory rate of 48% are due primarily to investment tax credits, capital gains rates, and joint venture losses (see Note 4).

For Federal income tax return purposes, the Company has $673,000 of unused investment tax credit carryforward at December 31, 1975. The investment tax credits expire in varying amounts from 1976 to 1982. Such carryforward amount may decrease in the event of adverse settlement of tax litigation discussed in Note 9.

4. JOINT VENTURE

The Company has entered into and formed a joint venture partnership for the acquisition and development of land and the operation and management of improvements constructed thereon. The Company's original investment of cash and land of $11,657 has been reduced to $1 because of recorded net losses.

5. COMMITMENTS

The Company leases locomotives, trucks, and data processing equipment. Total rental expense charged to operations for such leaseholds was $461,825 and $415,499 for the years 1975 and 1974, respectively. Minimum annual rental commitments at December 31, 1975 under leases having an initial or remaining term of more than one year are as follows:

Years Ending December 31,	
1976	$ 188,640
1977	188,639
1978	188,640
1979	188,639
1980	188,640
1981 and 1982	282,959
Total	$1,226,157

The present value of minimum annual rental commitments under noncapitalized financing leases, with an effective interest factor of 7.7%, was $1,050,976 and $1,154,078 at December 31, 1975 and 1974, respectively.

6. RETIREMENT PLANS

The Company's unfunded supplemental retirement plan provides benefits to eligible employees in addition to those received under the Railroad Retirement Act. The expense of the plan was $107,958 and $96,575 for 1975 and 1974, respectively.

The Company has adopted a funded pension plan effective January 1, 1976 for eligible employees who retire on or after January 1, 1976. The annual normal cost under this plan is expected to be approximately $144,000 which includes amortization of prior service cost over thirty years.

7. LONG-TERM DEBT

The First Mortgage Bonds and equipment obligations are collateralized by substantially all the properties of the Company.

Under the provisions of the indenture relating to First Mortgage Bonds, the Company is required to meet sinking fund requirements of $745,000 annually. The Company has reacquired bonds to meet the sinking fund requirements for 1974 and 1975. In addition, in 1974 the Company acquired and retired, under terms of the indenture, bonds of a principal amount of $1,500,000.

Equipment obligations bear interest at rates ranging from 5-1/8% to 6-3/8% and mature through 1978.

Long-term debt due after one year matures during the next five years as follows: 1977, $777,500; 1978, $753,125; 1979, $745,000; and 1980, $745,000.

As prescribed in the operating agreement between the Company and the shareholder railroad corporations, such corporations, on a proportionate basis, have advanced funds to the Company for sinking fund installments, equipment obligations, and the cost of capital improvements. Such advances, aggregating $8,795,864 and $8,050,864 at December 31, 1975 and 1974, respectively, will be repaid when funds are available in the proportion and in the same order of time as advances were made.

8. CORPORATE STRUCTURE

The Company was organized under the General Laws Authorizing the Formation of Railroad Companies in the State of Illinois passed in the year 1882. Date of incorporation was November 22, 1882. Control of the Company is based on purchases of capital stock. At December 31, 1975, such stock is held by twelve railroad corporations:

Name of Security Holders	Number of Shares
Atchison, Topeka & Santa Fe Ry Co.	2,400
Burlington Northern, Inc.	2,400
Chesapeake & Ohio Ry Co.	2,400
Chicago & Eastern Illinois RR Co.	2,400
Chicago, Rock Island &Pacific RR Co.	2,400
Erie Lackawanna Ry Co.	2,400
Grand Trunk Western RR Co.	2,400
Illinois Central Gulf RR Co.	2,400
Louisville & Nashville RR Co.	4,800
Norfolk & Western Ry Co.	2,400
Penn Central Transportation Co.	2,400
Soo Line RR Co.	2,400
Total shares issued and outstanding	31,200

The United States Railway Association has designated for transfer to the Consolidated Rail Corporation ("ConRail") the stock interests in the Company held by Penn Central Transportation Company and Erie Lackawanna Railway Company. Such authority for designation is prescribed for in The Regional Rail Reorganization Act of 1973 and the Railroad Revitalization Act of 1976. The effects, if any, on the Company's operations are not presently determinable.

9. CONTINGENCIES

The Company is currently involved in litigation with the United States of America and the Internal Revenue Service covering taxable years 1962 through 1966 and 1967 and 1969, respectively. The possible adverse results of these two actions could be an additional tax liability of approximately $305,000 plus interest. Under Section 281 of the Internal Revenue Code and the Operating Agreement, there would be no adverse effect on the financial position of the Company since reinstated income would be charged back to the shareholder railroad corporations.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Directors and Shareholders of
The Belt Railway Company of Chicago:

We have examined the balance sheet of The Belt Railway Company of Chicago as of December 31, 1975 and 1974, and the related statements of income, retained income, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 2 to the financial statements, the Company has receivables of approximately $676,000 and $555,000 at December 31, 1975 and 1974, respectively, due from shareholder railroad corporations who have filed for reorganization proceedings under the Federal Bankruptcy Act. The ultimate collectibility of these receivables is not presently determinable.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate collection of the receivables discussed in the preceding paragraph, the above mentioned financial statements present fairly the financial position of the Company at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Chicago, Illinois
March 17, 1976

ROAD AND EQUIPMENT PROPERTY

	Balance December 31, 1974	1975		Balance December 31, 1975
		Additions & Betterments	Retirements	
ROAD:				
Engineering	$ 656,734	$ -	$ 2,960	$ 653,774
Land for transportation purposes	9,709,638	-	20,642	9,688,996
Grading	4,397,683	-	-	4,397,683
Bridges, trestles and culverts	1,918,458	6,150	-	1,924,608
Ties	1,042,046	1,085	9,741	1,033,390
Rails	2,695,028	164,746	18,044	2,841,730
Other track material	2,224,946	108,745	30,590	2,303,101
Ballast	600,448	3,630	3,573	600,505
Track laying and surfacing	1,059,341	13,525	10,680	1,062,186
Fences, snowsheds and signs	13,083	-	-	13,083
Station and office buildings	1,166,347	-	-	1,166,347
Roadway buildings	91,421	1,193	4,723	87,891
Water stations	66,317	-	-	66,317
Fuel stations	67,603	(2,227)	-	65,376
Shops and engine houses	700,820	7,243	-	708,063
Wharves and docks	40,369	-	-	40,369
Communication systems	254,420	53,485	-	307,905
Signals and interlockers	1,509,747	109,340	-	1,619,087
Power Plants	55,016	-	-	55,016
Power-transmission systems	116,376	-	-	116,376
Miscellaneous structures	70,244	-	-	70,244
Roadway machines	367,997	90,581	-	458,578
Roadway small tools	13,790	-	-	13,790
Public improvements - Construction	706,091	-	-	706,091
Other expenditures - road	524	-	-	524
Shop machinery	311,344	2,518	-	313,862
Power plant machinery	370,758	245	-	371,003
TOTAL ROAD	$30,226,589	$ 560,259	$100,953	$30,685,895
EQUIPMENT:				
Diesel locomotives	$ 5,046,880	$ 600,330	$ -	$ 5,647,210
Freight-train cars	239,219	-	2,794	236,425
Work equipment	120,831	-	673	120,158
Miscellaneous equipment	237,544	941	4,005	234,480
TOTAL EQUIPMENT	$ 5,644,474	$ 601,271	$ 7,472	$ 6,238,273
TOTAL ROAD AND EQUIPMENT	$35,871,063	$ 1,161,530	$108,425	$36,924,168

EQUIPMENT OWNED

	On Hand Dec. 31, 1974	Changes During Year		On Hand Dec. 31, 1975
		Added	Retired	
Locomotives:				
Diesel - Switching (A) units	33	2		35
" " (B) units	7			7
Total	40	2		42
Freight-train Cars:				
Caboose	29			29
Box	1		1	-
Total	30		1	29
Work Equipment:				
Wrecking derrick	1			1
Jet snow blower	1			1
Burro crane	1			1
Other maintenance cars	12		2	10
Total	15		2	13
Miscellaneous Equipment:				
Automobiles (passenger)	13		1	12
Trucks (maintenance)	25	1	1	25
Trailers (utility)	3			3
Total	41	1	2	40

FUNDED DEBT

First Mortgage bonds issued by Bankers Trust Company, New York, Trustee:		
Total amount authorized	$75,000,000	
Sinking Fund Bonds 4-5/8%, Series "A", issued August 15, 1962, due August 15, 1987:		
For purchase of properties formerly leased from the Chicago and Western Indiana Railroad Company		$36,662,852
Expended for financing expenses and for additions and betterments subsequent to August 15, 1962		587,148
TOTAL ISSUED		$37,250,000
Less: Redeemed and cancelled	$11,185,000	
Redeemed and held by or for Company	57,000	11,242,000
TOTAL OUTSTANDING AT DECEMBER 31, 1975		$26,008,000

OPERATING EXPENSES

Year ended December 31	1975	1974	Increase or (Decrease)
MAINTENANCE OF WAY AND STRUCTURES:			
Superintendence	$ 287,714	$ 260,266	$ 27,448
Roadway maintenance	135,767	127,945	7,822
Bridges, trestles and culverts	86,002	54,146	31,856
Ties	258,305	155,900	102,405
Rails	250,602	115,725	134,877
Other track material	271,276	152,188	119,088
Ballast	82,580	43,097	39,483
Track laying and surfacing	980,418	886,158	94,260
Fences, snowsheds, and signs	9,290	12,417	(3,127)
Station and office buildings	67,854	72,565	(4,711)
Roadway buildings	11,189	11,714	(525)
Water stations	-	141	(141)
Fuel stations	1,371	402	969
Shops and enginehouses	24,904	21,247	3,657
Communication systems	116,812	124,174	(7,362)
Signals and interlockers	392,653	268,551	124,102
Power plants	42	307	(265)
Power-transmission systems	483	3,178	(2,695)
Miscellaneous structures	205	1,084	(879)
Road property - Depreciation (Leased)	26	26	-
Road property - Depreciation (Owned)	177,131	168,877	8,254
Retirements - Road	(40,992)	(14,125)	(26,867)
Roadway machines	43,689	28,609	15,080
Dismantling retired road property	44,576	39,106	5,470
Small tools and supplies	59,640	51,066	8,574
Removing snow, ice, and sand	38,342	54,419	(16,077)
Public improvements - Maintenance	35,718	30,440	5,278
Injuries to persons	39,504	10,039	29,465
Insurance	90,005	70,192	19,813
Stationery and printing	4,400	2,654	1,746
Employees health and welfare benefits	113,375	103,662	9,713
Other expenses	3,562	2,259	1,303
Maintaining joint tracks, yards and other facilities - Dr.	165,039	157,041	7,998
Gross total	3,751,482	3,015,470	736,012
Maintaining joint tracks, yards and other facilities - Cr.	1,576,875	1,171,060	405,815
Net - Belt Railway-Separate operation	$ 2,174,607	$ 1,844,410	$ 330, 197
Ratio to operating revenues	12.66	9.86	2.80

OPERATING EXPENSES – continued

Year ended December 31	1975	1974	Increase or (Decrease)
MAINTENANCE OF EQUIPMENT:			
Superintendence	$ 140,550	$ 129,935	$ 10,615
Shop machinery	4,786	184	4,602
Power-plant machinery	6	-	6
Shop and power plant machinery - Depreciation	16,130	14,546	1,584
Diesel locomotives - Repairs	1,254,058	1,144,692	109,366
Freight-train cars - Repairs	912,085	740,437	171,648
Work equipment-Repairs	10,698	10,701	(3)
Miscellaneous equipment - Repairs	68,069	58,111	9,958
Dismantling retired equipment	-	20	(20)
Equipment - Depreciation	254,963	246,890	8,073
Injuries to persons	17,937	92,652	(74,715)
Insurance	115,583	90,034	25,549
Stationery and printing	6,101	4,376	1,725
Employees health and welfare benefits	66,696	63,501	3,195
Joint maintenance of equipment expenses - Dr.	55,610	63,738	(8,128)
Other expenses	1,135	2,131	(996)
Gross total	2,924,407	2,661,948	262,459
Joint maintenance of equipment expenses - Cr.	553,669	465,369	88,300
Net - Belt Railway - Separate operation	$2,370,738	$2,196,579	$ 174,159
Ratio to operating revenues	13.80	11.75	2.05
TRAFFIC:			
Advertising	$ 452	$ 447	$ 5
Stationery and printing	4,027	13,437	(9,410)
Gross total	4,479	13,884	(9,405)
Charged to Owner Line operation	155	58	97
Net - Belt Railway - Separate operation	$ 4,324	$ 13,826	$ (9,502)
Ratio to operating revenues	.03	.07	(.04)

OPERATING EXPENSES - continued

Year ended December 31	1975	1974	Increase or (Decrease)
TRANSPORTATION - RAIL LINE:			
Superintendence	$ 672,115	$ 604,063	$ 68,052
Dispatching trains	167,466	144,160	23,306
Station employees	555,015	547,263	7,752
Weighing, inspection, and demurrage bureaus	8,886	6,523	2,363
Station supplies and expenses	25,544	28,846	(3,302)
Yardmasters and yard clerks	1,388,450	1,302,036	86,414
Yard conductors and brakemen	2,864,087	3,120,554	(256,467)
Yard switch and signal tenders	776,185	701,234	74,951
Yard enginemen	1,829,797	1,790,131	39,666
Yard switching fuel	704,619	740,419	(35,800)
Servicing yard locomotives	534,677	484,542	50,135
Yard supplies and expenses	1,152,806	1,030,915	121,891
Crossing protection	12,018	9,749	2,269
Communication system operation	3,271	35,836	(32,565)
Employees health and welfare benefits	488,997	471,428	17,569
Stationery and printing	48,204	46,702	1,502
Other expenses	7,796	9,387	(1,591)
Insurance	190,327	160,766	29,561
Clearing wrecks	70,225	163,318	(93,093)
Damage to property	28,288	18,714	9,574
Loss and damage - Freight	185,517	187,015	(1,498)
Injuries to persons	227,620	313,730	(86,110)
Operating joint yards and terminals - Dr.	309,952	338,290	(28,338)
Gross total	12,251,862	12,255,621	(3,759)
Operating joint yards and terminals - Cr.	3,525,627	2,938,234	587,393
Net - Belt Railway - Separate operation	$ 8,726,235	$ 9,317,387	$(591,152)
Ratio to operating revenues	50.78	49.82	.96

OPERATING EXPENSES - concluded

Year ended December 31	1975	1974	Increase or (Decrease)
GENERAL:			
Salaries and expenses of general officers	$ 540,249	$ 477,441	$ 62,808
Salaries and expenses of clerks and attendants	568,037	527,281	40,756
General office supplies and expenses	254,392	236,797	17,595
Law expenses	112,461	91,107	21,354
Insurance	680	581	99
Employees health and welfare benefits	65,348	63,171	2,177
Pensions	92,611	96,575	(3,964)
Stationery and printing	35,758	33,809	1,949
Other expenses	44,926	36,486	8,440
General joint facilities - Dr.	(4,173)	(5,101)	928
Gross total	1,710,289	1,558,147	152,142
General joint facilities - Cr.	552,084	448,869	103,215
Net - Belt Railway - Separate operation	$ 1,158,205	$ 1,109,278	$ 48,927
Ratio to operating revenues	6.74	5.93	.81
Total operating expenses	$ 20,642,519	$ 19,505,070	$ 1,137,449
Total joint facility - credits	6,208,410	5,023,590	1,184,820
Total operating expenses - Belt Railway - Separate operation	$ 14,434,109	$ 14,481,480	$ (47,371)
Ratio to operating revenues	84.00	77.43	6.57
Operating revenue per car	$ 34.774	$ 31.284	$ 3.490
Operating expense per car	$ 29.209	$ 24.223	$ 4.986

CARS HANDLED

Year ended December 31	1975		1974		Increase or (Decrease) Percent
	Cars	Percent	Cars	Percent	
BELT SEPARATE OPERATIONS:					
Intermediate (Belt Handled):					
Loaded Cars	132,028	25.15	174,564	24.87	(24.37)
Empty Cars	109,484	20.86	148,399	21.15	(26.22)
Local (Belt Handled):					
Loaded Cars	128,575	24.49	140,942	20.09	(8.77)
Empty Cars	124,077	23.64	133,926	19.09	(7.35)
Bridge (By Owner Lines):					
Loads and Empty Cars	30,769	5.86	103,838	14.80	(70.37)
TOTAL: (Belt Separate Operations)	524,933	100.00	701,669	100.00	(25.19)
OWNER TO OWNER OPERATIONS:					
Cars interchanged directly between Owner Roads at Clearing and other yards - handled by Belt Railway Company	337,622	34.07	367,706	31.66	(8.18)
Cars handled by Owner Lines in direct movements over Belt Railway Company of Chicago	653,403	65.93	793,693	68.34	(17.68)
TOTAL (Owner to Owner)	991,025	100.00	1,161,399	100.00	(14.67)
TOTAL Cars handled	1,515,958	-	1,863,068	-	(18.63)

CARS HANDLED FOR LAST FIVE YEARS:

	1975	1974	1973	1972	1971
Belt Separate Operations:					
Intermediate - Loaded	132,028	174,564	151,251	169,218	180,449
Intermediate - Empty	109,484	148,399	127,560	154,873	159,584
Local - Loaded	128,575	140,942	162,521	160,283	177,765
Local - Empty	124,077	133,926	156,125	154,693	170,850
Bridge - Loads & Emptys	30,769	103,838	199,099	-	-
Owner to Owner Operations:					
Handled by Belt Railway	337,622	367,706	257,043	221,315	250,304
Handled by Owner Lines	653,403	793,693	770,356	924,496	882,191
TOTAL Cars Handled	1,515,958	1,863,068	1,823,955	1,784,878	1,821,143

MILEAGE OF TRACK OPERATED

Year ended December 31	1975				
	First Main	Second Main	Other Mains	Yard Tracks and Sidings	Total
Owned by The Belt Railway Co.:					
Cragin to South Chicago including Clearing Yard	27.16	25.60	-	304.98	357.74
Leased from other companies:					
Chicago, Peoria & Western (Argo)	-	-	-	.52	.52
Trackage rights received from other companies:					
C. & W. I. R.R. Co.					
80th St. to Pullman Jct.	3.56	3.47	-	.03	7.06
Pullman Jct. to South Deering	2.68	2.68	2.54	.38	8.28
South Deering to Burnham	4.76	4.76	.67	3.83	14.02
C.R.I. & P. R.R. - South Chicago	-	-	-	1.57	1.57
Penn Central - South Chicago	-	-	-	.09	.09
I.H.B. R.R. - 55th to Elsdon	1.41	1.40	-	-	* 2.81
B.&O. C.T. R.R.-Clearing to Proviso	9.05	8.09	-	13.70	30.84
B.&O. C.T. R.R. Southwest Division (Cicero District)	-	-	-	6.08	6.08
N & W Railway - Ford Yd. & Lead	-	-	-	1.26	1.26
Calumet Western R.R.-112th to 116th	.51	-	-	-	.51
Penn Central & I.H.B. R.R. (Joint) 116th to 117th	.11	-	-	-	.11
Chicago, West Pullman & Southern - South Chicago	-	-	-	.09	.09
Total	22.08	20.40	3.21	27.03	72.72
Total Miles Operated	49.24	46.00	3.21	332.53	430.98

YARD TRACKS OWNED BY THE BELT RAILWAY CO. BUT NOT OPERATED

(Not included in above mileage)

Leased To	Location	Miles of Road
C.W.P. & S. R.R.	Warner Branch	1.46
C. & O. Ry. Co.	Rockwell St. Yard	10.91
	Total	12.37

TRACKAGE RIGHTS GRANTED OTHER COMPANIES

Company	Location	Miles of Road
I.H.B.R.R.	Elsdon Branch	* 1.51
E.J. & E. Ry.	South Chicago to Mill Gate & South Deering	3.40
	Total	4.91

*Trackage Rights Not Exercised.